

Taconic Telephone Corp.
d/b/a Consolidated Communications
and
Taconic Telcom Corp.
d/b/a Consolidated Communications Long Distance

State of Massachusetts

Docket D.T.C. 21-4

Respondent: Bradley Sims
Title: Financial Analyst
Tax

REQUEST: Massachusetts Department of Telecommunications and Cable,
Information Request, Set 2

DATED: 11/1/2021

ITEM DTC 2-5: Refer to DTC 1-9. On the FY2020, FY2021, and FY2022 Forms 5941, section 2, line 16, Taconic reports (\$14,926), \$122,324, and \$156,464 in Massachusetts selling, general, and administrative expenses respectively. On the FY2020 Form 5941, Taconic further notes net operating taxes as impacting this expenditure. Identify and describe in more detail the causes of this increase in selling, general, and administrative expenses over these years.

REPLY: Similar to the cost-of-services expenses in DTC 2-4, the selling, general and administrative expenses are calculated based on revenue so a fluctuation in revenue will result in a fluctuation in expense. Also, as noted in DTC 2-4, there was a classification issue on the FY2022 report and the selling, general and administrative (SGA) category should be \$49,124 lower which would make the SGA for FY2022 \$107,340 consistent with the decrease in revenue for FY2022 from FY2021.

For FY2020, this was the year that Consolidated Communications acquired FairPoint Communications. The negative Deferred Operating Federal Income Tax is driven by movement in our deferred tax liability account, which represents temporary differences that affect the timing of when tax is paid. The largest deferred tax liability for the company is depreciation. A deferred tax liability is established in year 1 of the asset and over the remainder of the asset's depreciable life, the deferred tax liability will eventually decrease to zero. For each year the deferred tax liability decreases (debit), there will be a negative deferred tax expense (credit).